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Lake, A. C.

The federal reserve banks
detrimental

Memphis, Tenn.

c1919

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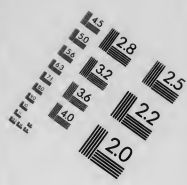
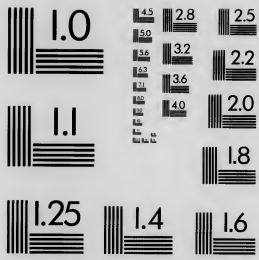
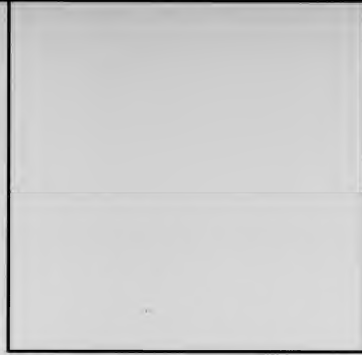
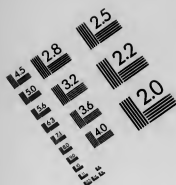
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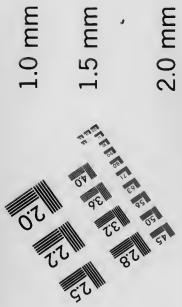
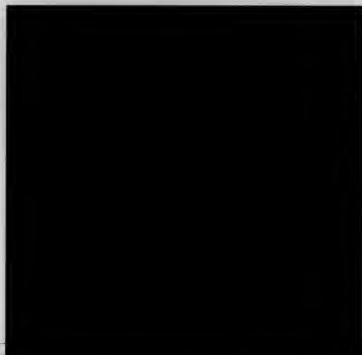
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Front St., Memphis, Tenn.)

The Federal Reserve Banks Detrimental

30
7
Box 69

Memphis, Tenn., Dec. 31, 1918.

To the Congress of the United States,
Washington, D. C.

Dear Sirs: I have seen in an Arizona newspaper that because of the high cost of mining (caused mainly by the inflation of our currency by the Federal Reserve Banks), gold mines are closing down and their owners have sent a delegation to Washington to get the Government to pay them a bonus of \$10.00 an ounce for digging gold. This is an absurdity. They would be much more usefully employed digging potatoes. There is already enough gold money in the world for all practical purposes. Gold is about as non-essential as are diamonds, pearls, etc. Neither of them is as important to mankind as are iron, copper, lead, zinc, tin, etc. The only thing that makes an ounce Troy (480 grains) of fine (24 carats) gold worth \$20.67 is that the Government pays that for it at the mints, less an infinitesimal charge for treatment and for the 1/10 copper alloy to harden it for coinage into money. If their unreasonable request were granted, paying them \$30.67 per ounce for it, gold money would go to a premium of \$1.48. The holders of the Federal Reserve Bank notes and of the \$346,681,016.00 of legal tender greenback notes might demand gold for them, and as it might not be forthcoming, an unprecedented panic might ensue. In this letter I use United States Government statistics.

According to the December 1, 1918, Circulation Statement, we have—

| | | | |
|---|-----------------|---------------|-----------------|
| Gold coin (including bullion in the Treas- ury) | \$3,080,043,323 | | |
| Standard silver dollars | 414,514,930 | | |
| Subsidiary silver | 237,904,206 | | |
| | | | \$3,732,462,459 |
| United States notes... | 346,681,016 | | |
| National Bank notes... | 716,853,155 | | |
| Federal re- serve notes ... | \$2,776,625,220 | | |
| Federal Reserve Bank notes ... | 96,954,730 | 2,873,579,950 | 3,937,114,121 |
| | | | \$7,669,576,580 |

As the paper money exceeds the specie money, only \$204,651,662 (which is a small amount now-days) for the sake of easy calculation, I assume they are exactly equal. The proper relief for the gold miners would be to get the use of all paper money abolished, except gold and silver certificates, thus coming to a strictly specie basis. This reducing the currency one-half would double the purchasing power of the remaining one-half. So that the cost of operating the mines would be only one-half of what it is now. If the free coinage of gold is continued (which it ought to be, if all paper money is eliminated), the free coinage of silver at 16 to 1 should be resumed, so as to encourage silver mining, in order that our supply of copper and lead, which are valuable by-products of silver ores, might be increased. Zinc, arsenic and iron are also sometimes by-products. These by-products are more abundant in silver than in gold ores. Gold, too, is a by-product of silver ores; but I regard gold as of but little intrinsic value. As the total amount of silver coined by our Government from 1793 to 1917, inclusive, 125 years, is

only \$1,019,871,953.80, and, as we have left of it in circulation Dec. 1, 1918, only \$652,419,136, it is ridiculous that its free coinage should have been stopped in 1873. The inflation, No. 16, 1914, of the Federal Reserve Banks on the country was a stupendous blunder. I have seen it stated that the world is governed by cupidity and stupidity. Those responsible for the existence of these banks may decide for themselves to which class they belong. These banks opened for business Nov. 16, 1914, and had outstanding Dec. 1, 1918, \$2,873,579,950 (about 3/8 of our total stock of money) in paper money, issued by them in a little over four years. It is an incontestable fact, though not generally known, that every increase in the amount of the currency increases prices in exactly the same proportion. So that it invalidates itself. Therefore, after adding this \$2,873,579,950 to our other currency, \$4,795,996,630, making our total currency \$7,669,576,580. This \$7,669,576,580 will only buy as much as the \$4,795,996,630, before it was added; therefore, as our Government is spending this year about two and one-half times \$7,669,576,580, these banks are costing the Government this year alone about two and one-half times \$2,873,579,950, which equals \$7,183,949,875 loss. This is an appalling price to pay for the doubtful benefit derived from these banks.

Retiring from the wholesale clothing business Dec. 1, 1895, I invested in United States Government registered bonds. They are now worth less than 40 cents on the dollar in purchasing power, as compared to the 100 cents they were worth when I bought them. Nevertheless, I expect to keep these good, gilt-edge, tax-free, payable-in-gold bonds as long as I live, which can't be long now, as I will be 70 years old Feb. 21, 1919. But for the inflation of our currency I would be worth over two and one-half times as much as I am worth, having lost considerably over \$100,000—one hundred thousand dollars of my hard-earned by book-keeping money. I have, during the last eleven years, given this currency question much study, and I do not think any one knows more about it

11 March 1920 - C. R. W.

than I do. With me this question has been a specialty, almost an obsession, while with others it is only a side issue. I know of no one besides myself who treats it not only nationally, but also internationally, as I do in my pamphlet, "Currency Reform the Paramount Issue," and subsequent leaflets.

This letter as originally written was of many pages, but it was so discursive that I have curtailed it. My heavy losses of over 60% of what I would now be worth but for the foolish inflation of our currency incites me to denounce the Federal Reserve Banks as a curse to the country.

Won't you please stop them from manufacturing so much money? I do not use tobacco nor any other kind of "dope," except coffee. Never took a drink in my life; use strong language only when I lose my temper, which is seldom. It would take a much harder "cusser" than I am to do full justice to those INFERNAL FEDERAL RESERVE BANKS.

Very respectfully,

A. C. LAKE,

No. 28 N. Front St., Memphis, Tenn.

ADDENDA

On Dec. 1, 1917, our stock of money was \$6,026,127.909.

On Dec. 1, 1918, our stock of money was \$7,669,576,580.

This is an increase of .2727%, and weakens the purchasing power of our money .2727%; so that in one year alone the inflation of our currency cheated the holders of the $\frac{4}{14}\%$ Liberty Loan out of about $6\frac{4}{10}$ years' interest on their bonds, unless the currency is deflated. It just simply is not honest for our benevolent Government to do this. Or is it ignorance? If our currency were reduced one-half, thereby doubling the purchasing power of the remaining one-half, no injustice would be done to the holders of the Liberty Loan by scaling down their claims one-half. This Liberty Loan is so widely distributed among ourselves and the money was spent in such a just cause, I do not think there will ever be any senti-

ment or propaganda for its repudiation. On July 1, 1896, one dollar would buy as much as \$3.14 would buy Sept. 1, 1918. This is an increase in 1896 prices of 214%. From July 1, 1896, to Sept. 1, 1918, our per capita of money increased 147%. Therefore, 147% of this 214% is owing to increase in currency and only 67% owing to war prices. From July 1, 1914, to Sept. 1, 1918, commodity prices increased 107%. During the same period per capita of money increased 54%. So 54% of this 107% is owing to increase in currency and only 53% is attributable to war prices.

Measured by the inflation in our currency, our dollars ought to be worth about 33 cents. Owing to war prices, they are worth only about 32 cents in purchasing power, as compared to the 100 cents they were worth July 1, 1896. As the war is over now, war prices may soon come off. But if there is a continuance of the inflation of the currency money will continue to depreciate, so that prices may go even higher than they are now, unless perhaps our prices may be so high we cannot export anything so that there may be a glut in our markets. If we wish to do an export business, we must have less money so as to have lower prices to compete with the low prices of nations with less money than we have.

The Federal Reserve Banks have manufactured in a little over four years \$2,873,579,950 of paper money, while our total coinage of gold from 1793 to 1917, inclusive, 125 years, is only \$3,411,627,595.50. Just think of that! People say to me, we need more money to do business. I answer, if we had twice as much money as we have now, prices would be twice as high, so that we would need money as much then as now; and if we had half as much, prices would be only one-half, so that we would not need money any worse than we do now.

The reported plan of Edward N. Hurley, Chairman of the Government Shipping Board, to standardize seamen's wages throughout the world, so that they will all get the same pay may work very nicely IF he first standardizes the per capita of money throughout the world, so that money will

be worth the same everywhere. Take half a glass of whiskey; add water till the glass is full. You will have twice as much fluid, but not one single drop more of whiskey. Quantity gained; quality lost at exactly the same ratio. The same principle holds good in regard to money. Up to Dec. 12, 1918, we have lent our allies \$8,223,540 702. We had better make them a present of this money. If we were to collect it now and put it into circulation, our dollars, now worth about 32 cents in purchasing power, would be worth only about 15 cents. If we owed foreign debts (which we do not), so we could get rid of this money, it would be advisable to collect it. Several months ago I said it would not be advisable for Belgium and France to accept a cash indemnity for the destruction of their property, but that the German artisans ought to be required to come and reconstruct the property destroyed. I see in the Commercial Appeal of Dec. 19, 1918, that this plan is now proposed. We had better beware of accepting any cash war indemnity from Germany. I don't see how she can pay us, anyway. She has less than \$1,000,000,000 of the about \$10,000,000,000 of gold money of the whole world. We have \$3,080,043,323 of it. I don't see that we can get anything whatever out of this war, except the satisfaction of having done our duty. The interned ships we seized are of so little value, as compared to our enormous losses we might as well restore them to their private owners and wipe our slate clean. Then we can say we, without money and without price, saved from enslavement the whole world, including the German people themselves, who were driven to the shambles by their fantastic, spectacular, crack-brained Kaiser and his swashbuckling entourage of diabolical, rapacious, predatory fellow monstrosities. If he does not feel like a blank idiot now, he does not feel natural.

If the same amount of gold money had been added to our currency it would have affected prices just the same as this paper money has. Money used as money has no intrinsic value. The substance it is made of does not affect its value.

Paper dollars buy as much as gold dollars; the amount in circulation is what establishes the value of even gold dollars. Before our currency is contracted (which I think it will have to be), in order to avert a panic, fair relative basic prices should be fixed on all commodities and labor. Why should not prices of labor and cotton be fixed at their relative values? It is decidedly unfair to fix prices on some things, as is now done, and not on all things. But we don't want a price fixed on cotton and a premium on wheat; nor anything else. I have seen it stated that a pound of middling cotton is worth a pound of fat middling pork. If this is their relative value, let their prices be so fixed. And let the prices of labor and all commodities be fixed at their relative values. If prices were fixed at what they averaged, say, July 1, 1903, I think people would find they have more money than they need to carry on business, and would voluntarily liquidate what they owe the Federal Reserve Banks. In this way our currency might be automatically deflated without causing a panic. We had July 1, 1903, a per capita of money of \$29.42, a little more than one-half of what we have now. Prices at that time were about 30% higher than they were July 1, 1896, when they were too low. Inflating currency suits debtors all right, but it surely is tough on creditors. Losing one's money by inflation is an insidious way of being robbed. The average man does not realize he has been cheated. He thinks his money is worth as much as it ever was, which it is not; but that things are worth more.

I am asked how without these Federal Reserve Banks the Government could have raised the vast sums required for the war. I answer, but for the inflation of our currency by these banks, thereby inflating prices, such colossal sums would not have been needed. If it had been desirable to inflate the currency, which most emphatically it was not, the Government could have issued legal tender paper fiat money, just as it did both belligerents during our Civil War. This war should have been financed entirely by levying taxes and selling bonds. I have

heard it suggested that our Government should make all these Liberty loans legal tender currency. If any such silly thing were done, dollars would be worth but a few cents. Entirely too much of this Liberty loan is already being used as currency. Money is like everything else, "W'en hit gits too plentiful, hit ain't wuth much" (Hambone's Meditations).

Having, in 1896, operated a steam sampler, i. e., ore crusher, at Kingman, Ariz.; buying ores from the mines and shipping, 931 miles, in carload lots, to a smelter at Pueblo, Colo., I have a smattering knowledge of ores. Nearly all ores are composite; that is, have two or more metals in the same ore. Grains are the units of weight. All grains are of the same weight; all ounces and pounds are not. By the way, calories are the units of heat and also of energy. Every normal person should eat enough food to produce about 3,000 calories per diem.

Owning two patented, i. e., deeded from the Government, silver-lead-gold mining claims in Arizona, it is to my interest that the free coinage of silver at 16 to 1 should be resumed—that is, 16 times as much silver in a silver dollar as of gold in a gold dollar. A gold dollar has 23.22 grains of gold 24 carats fine, and a silver dollar has 16 times as many grains, approximately $371\frac{1}{4}$ grains Troy.

A gold dollar, including the 1/10 copper alloy, weighs 25.80 grains.

A silver dollar, including the 1/10 copper alloy, weighs 412.5 grains.

All grains are of the same weight; there are 5,760 grains in a Troy pound, and same in an apothecaries' pound; there are 7,000 grains in a pound avoirdupois. Prescriptions are filled by apothecaries' weight, but medicines are bought and sold by avoirdupois weight. A full size mining claim is $600 \times 1,500$ ft.— $20.66 \pm$ acres. An ounce of pure (24 carats) gold is worth \$20.67+. Note the nearness of these two figures. I am more interested in injecting back into my depreciated by inflation dollars their lost value than I am in the proposed compensated stabilized gold dollar. I do not see how it can be stabilized unless a strictly

gold currency is adopted. I think the best, simplest way to stabilize the purchasing power of our money would be to keep the amount in circulation at or near a fixed per capita, or keep our stock of money at a fixed amount. Ray's Higher Arithmetic says money is the standard of value. Most people blindly accept this fallacy. The relative worth of commodities and labor are the correct standard of value. The value of even gold money depends entirely on the amount of it in circulation. If, instead of issuing new money, the Federal Reserve Banks would raise money by selling bonds, as do the Land Loan Banks, they might possibly be of some benefit. But I doubt it. I do not believe in making it too easy for people to borrow money. Some people won't half work as long as they can borrow. Appetite comes with eating and drinking; e. g., peanuts and alcoholics. Also, increasing currency increases prices, dollar for dollar. So that another increase is demanded to do business, and so on indefinitely—an endless chain of increases.

Secretary of the Navy Daniels is said to want to continue increasing our navy. Why should we, when the whole world is just going to, or at least ought to, disarm? All nations should cease war preparations. Right now, as between Prussian militarism and Chinese pacificism, it is easy to see which is the better part. "He that lives by the sword shall die by the sword." If it can be done, the back numbers of our navy should be converted into merchant ships, and no new war ships should be built by any nation. Perhaps, Secretary Daniels is only camouflaging. Most people are afraid our allies will not be able to repay us the huge sums we have lent them, while I am afraid they will pay us. My views on this currency question are so contrary to most other people's I am reminded I was once complimented by being told if ever I were drowned in the Mississippi river my body would float up-stream; and yet it is as clear as daylight to me my views on currency are correct. Our Government seems to be trying to play Lady Bountiful to the whole world and every-

body at home. We are becoming so paternalistic, socialistic, I am afraid individualistic effort will cease. Everybody will lazily sit down and wait for an appropriation instead of manfully working out his own salvation. Those who have ambition, enterprise and self-denial enough to accumulate anything may have to emigrate to escape having what they have got taken away from them and handed over to the no-accounts. Lots of trifling people sitting around waiting for some one to give them something for nothing, thereby contributing to their inefficiency. England has never seriously interfered with the freedom of the seas since we went to war with her about it in 1812. She benefits every people she annexes. She should be allowed to keep all the territory she has captured during this war. To keep Japan in a good humor, she should be allowed to keep what she captured except Kiao-Chow, which should be returned to China.

I see in the Commercial Appeal of Dec. 20, 1918, Mr. W. P. G. Harding, Governor of the Federal Reserve Banks, says these banks are very prosperous. After paying 6% annual dividends they will all, July 1, 1919, have surpluses of 100%—accumulated in less than five years. The insiders have profited, but these banks have been very disastrous to me, causing me to lose about three-eighths of what I would be worth but for their watering, and thereby weakening the purchasing power of our currency. This three-eighths is over half of my total loss by the inflation of our currency; also, these banks have caused our Government a loss of three-eighths of the total cost of this war by debasing the currency by inflation, causing prices to rise one dollar for every dollar they issued. The reason we now have no revenue stamps on bank checks is that some one suggested it might discourage thrift. And yet these Federal Reserve Banks are allowed to debase our currency, issuing, during one week alone ending Dec. 21, 1918, \$68,828,000 of new money, which is an addition of nearly 1% to our currency and depreciates its purchasing power nearly 1%. So that a 3%

savings bank deposit is robbed of nearly four months' interest in one week (sic). The common run of people, if they only had sense enough (which they have not got) to know what is being done to them, instead of putting their money into bank, would hasten to spend it before it becomes utterly worthless.

During the whole year ending Dec. 1, 1918, our stock of gold increased only \$39,571,283, which is only slightly over one-half as much as these banks issued in paper money in six days (sic). The idea of establishing these banks is so imbecilic that it looks like it may have originated in a lunatic asylum. Their existence is a reflection on the intelligence of our Government. If the Democratic party does not speedily abolish them I do not think the Republican party will need any better issue to win the 1920 election. However, these banks are only an enlargement of the iniquitous Aldrich \$500,000,000 emergency currency bill, which was a Republican measure.


And now, Gentlemen, since I have pointed out to you as plainly as the English language and figures can demonstrate the crying evils of these banks, will you not help me to get them abolished, or at least deprived of the power of debasing our currency by inflating it? We have twice as much money as is good for us.

Very respectfully,

A. C. LAKE,

28 N. Front St., Memphis, Tenn.

January 1, 1919.

 A few years ago, Congressmen alleging the high cost of living, raised their pay from \$5000 to \$7500 per annum. I see now, Jan. 16, 1919, some of you Congressmen want another raise to \$10,000; claiming you cannot live on \$7500.

If you will compel those Federal Reserve Banks to withdraw from circulation their outstanding notes and not allow them to issue any new money, it will so increase the purchasing power of our money that you can live on your present salaries and not be suspected of being greedy.



Doing things backwards.
Does not know what he is doing.
Situation running away with him.

**Do not destroy. Hand this to some other citizen
and enlist his help in the fight.**

23670

**END OF
TITLE**